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Bulgaria

Wine

EU accession impact on the wine market

2007

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Report Highlights:
Bulgarian wine industry is progressing well with increased exports and new investments in vine production and wine manufacturing. Wine imports in 2006 were record high at about USD 10.0 million with a growing share of bottled wines.

Includes PSD Changes: No
Includes Trade Matrix: No
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Summary

At end March, the Bulgarian wine industry celebrated its success with its largest regional wine exhibition, Vinaria. This year, the exhibition had 556 exhibitors from 35 countries or 39 more than in 2006. The highest award, Golden Rython, was presented to the winery Sakar Luibimetz for its Cabernet Sauvignon Merlot. Total 22 red and 3 white wines received golden medals. Most awards were presented to small wineries with newly planted own vineyards.

Grapes production

Similar to other agricultural and food industries, the wine sector enjoys a good growth in supply and exports but suffers from a lack of consistent quantity and quality of raw materials.

As of today, Bulgaria has 73,000 registered farms with vineyards. The country managed to get an approval from the EC for a vineyard ceiling of 153,000 HA. In 2006, the Ministry of Agriculture estimated the vineyard areas at 135,600 HA. Although this area is considered sufficient for the country, the newly planted vineyards over the last 2 years were still not considerable: 3,422 HA planted under EU-SAPARD investment program and 3,800 HA under national support programs or total 7,200 HA. Most local vineyards are older than 20 years.

The active investment under pre-accession investment program SAPARD resulted in 55 projects at an investment subsidy value of 34 million Euro, of which 33 are completed as of today. National pre-2007 support programs funded 165 projects for 42 million Euro. Most of these projects targeted wine manufacturing, followed by new vineyard plantings.

In 2006, grapes production was 302,076 MT or 82,076 MT more than in 2005, and of better quality. Red varieties accounted for 62 percent of total grapes. Merlot production reached 70,000 MT or 23 percent of total grapes supply. Cabernet accounted for 49,000 MT or 16 percent. Among white varieties, the largest was production of Misket, 33,000 MT, followed by Rkatziteli, 32,000 MT and Muscat Otonel, 20,000 MT. Since 2004, the quantity of grapes purchased and processed by wine manufacturers has been increasing, from 208,000 MT in 2004 to 256,000 MT in 2006. The trend is expected to continue in 2007 and 2008.

Wine manufacturing

The number of registered wine manufacturers in 2006 was 255 of which 174 were in operation in 2006. These wineries produced 171 million liters of wine in 2006 (a growth of 11 percent over 2005) of which 11.2 million liters of quality wines (20 percent growth compared to 2005).

Trade

Exports

Total wine exports in 2006 were 113.3 million liters ($97 million) vs. 114.5 million liters in 2005 ($94 million). The top export destination in 2006 was Russia with 73 million liters, followed by the EU with 33.5 million liters. Other export markets were Poland (19 million liters), Germany (4 million liters), UK (3 million liters), Czech Republic and Sweden.

In 2006, Bulgaria was able to fill 27.2 percent of its export quotas to the EU for bottled wines, 49.4 percent of its quota for bulk wines, and 98.1 percent of the quota for sparkling wines.

In response to industry appeal for government support, the Ministry of Agriculture announced that there were 11.9 million Euro government funds allocated for promotion of unique Bulgarian products, including wines, to the world markets, from 2008.

Imports

Wine imports in 2006 were record high with 230 percent growth in volume and 102 percent in value: 5.4 million liters ($4.2 million) in 2005 and 12.5 million ($9.9 million) in 2006.

Imports of bottled wines in 2006 were 955 MT compared to 426 MT in 2005. Major suppliers of bottled wine in 2006 were Chile, France, Italy and Spain; and of bulk wine Macedonia and Moldova (see the tables below). According to trade sources, Italian wines currently account for 50 percent of imported wines sales in quantity: they cover a wide price range from 1.5 – 2.5 Euro/bottle, and 5.0-7.5 Euro/bottle to much higher prices. An advantage of Italian wines vs. French is their average lower price and the fact that consumer easily memorize trade marks compared to wine regions as is the case with French wines. Traders, however, see the highest potential with New World wines from Chile, Argentina and USA.

Trends and prospects

During Vinaria, several trends in the wine sector were identified:

- Wine market is growing: the size of the market was estimated at 47 million liters and 111 million Euro in 2005 (source: Euromonitor), and between 5 and 8 percent (estimates) higher in 2006.

- Wine distribution has improved and diversified: currently local and imported wines are offered at hypermarkets, discount stores, supermarkets, specialized wine stores and chains, and specialized wine bars and wine restaurants. In 2007, some retail chains introduced customs bottling at certain EU cellars to reduce final cost.

- Wine imports from traditional wine supplies in the EU and the new world increased in 2006 and the competition with local wines will become tougher in the future.

- Wine producers who produce larger volume of medium quality/price wine, mainly for the retail market (average price between 1.5 to 5 Euro/bottle) face tough competition and some switch to production of high quality wine in smaller quantities. This trend is related to the fact that the growth is considerable in the most dynamic market segment, the one of premium quality wines. This segment, however, is still limited in size, less than 10 percent.

- There is an increasing effort by the industry to find its own new unique market niche on the global and EU market. For this reason, new wineries prefer to invest in local vine varieties which are not grown in other countries. Such varieties include red Rubin, Mavrud, Melnik vine (shiroka melnishka loza), Gumza and Shevka.

- Small private wine operations which are flexible and can produce high quality wines for certain market niches prove to be a more appropriate model for the development of the industry in the near term.

Table 1. Wine trade in 2005 and 2006, MT

Wine imports (HS#2204) in 2005, MT		Wine imports (HS#2204) 2006, MT	
Macedonia	3,633	Macedonia	5,849
Serbia	719	Serbia	11
Moldova	0	Moldova	2,875
Italy	236	Italy	602
Hungary	222	Hungary	NA
France	158	France	672
Australia	75	Australia	NA
Spain	62	Spain	575
Chile	59	Chile	716
Romania	0	Romania	518
Russia	51	Russia	380
Austria	5	Austria	89
Ukraine	0	Ukraine	69
Germany	25	Germany	55
Argentina	0.4	Argentina	28
Holland	16.4	Holland	27
USA	0.1	USA	0.7
Total	5,400 ($4.2 million)	Total	12,539 ($9.9 million)
Wine exports (#2204) in 2005, MT		**Wine exports (HS#2204) in 2006, MT**	
Russia	69,199	Russia	73,356
Poland	20,163	Poland	18,896
Germany	4, 963	Germany	4,014
UK	3,934	UK	2,952
Czech Republic	2,439	Czech Republic	2,298
Sweden	2,232	Sweden	2,235
Lithuania	1,752	Lithuania	1,269
Japan	1,520	Japan	1,233
Latvia	1,203	Latvia	884
Estonia	746	Belarus	1,045
Total	114,502 ($93.8 million)	Total	113,328 ($96.9 million)
Source: Bulgarian Customs			

Table 2. Wine trade by categories in 2004-2006, thousand liters

Imports of wines, 2004-2006, thousand liters			
	2004	2005	2006
Bulk	278	4,186	11,337
Bottled	348	426	955
Sparking	129	53	77
Total	756	4,665	12,369
Exports of wines, 2004-2006, thousand liters			
Bulk	19,228	24,211	20,621
Bottled	70,555	88,964	90,958
Sparking	495	999	663
Total	90,279	114,555	113,343
Source: Ministry of Agriculture			